

European Securitisation PCS Investor Base Survey – Aggregate Report

1. 3. Respondent's Profile 3.1 Name of Institution, Survey Participant (respondent) and Email:

Statistic	Value
Total Responses	43

2. 3.2 Title of Survey Participant

#	Answer	Response
1	Chief Investment Officer	0
2	Head of Fixed Income	3
3	Other (please specify)	22
4	Securitisation Portfolio Manager	17
	Total	42

Other (please specify)
Head of securitisation
Senior Credit Analyst
Head of Discretionary Investment
Structure Finance Director
Product Manager - Fixed Income
Director Asset Finance/ Securitisation
Head of ABS Portfolio Management
Head of ABS Portfolio Management at AXA IM
Head of Portfolio and Investment Management
ALM - Head of credit management
Portfolio Manager
Head of Fixed Income and Securitisation Portfolio Manager
Head of Structured Credit Investments
Bank Treasury
Head of Economic Research
Head of ABS Investment
Portfolio Manager, Structured Finance
Fixed Income Ptf Manager (Head of Core+ Investment)
Research Analyst
Head of ABS/Structured Investments
The questionnaire reflects the opinions of the head of quarantees and securitisation at (bank's name), and of the Head of Portfolio Management division in the Treasury Department
The questionnaire reflects the opinions of the Business Support Division(including policy responsibility for SMEs) within the Lending Directorate

3. 3.3 Type of Institution

#	Answer	Response
1	Asset Management Company (public or private)	18
2	Insurance Company	3
4	Pension Fund Manager	2
5	Public Sector Investment Entity	2
6	Financial Institution (liquidity / treasury / investment (banking book) portfolio; please circle)	15
3	Other (please specify)	1

Other (please specify)

Investment portfolio split across asset management business and on behalf of the bank.

4. 3.4 Have you invested in ABS before the crisis?

#	Answer	Response
1	Yes	41
3	No	1
2	Other	1
	Total	43

5. 3.5 Do you currently purchase new issue or secondary market securitisations?

#	Answer	Response
1	Yes	32
2	No	11
3	Other	0
	Total	43

6. 3.6 If your investment in securitisation has increased vs either 2006 or 2009 levels, what are the main reasons?

Text Response	
Value	
	better yield compared other asset classes
	N/A
	Increased - main reason is that the risk/return is highly attractive.
	lower since 2006 - due to market contraction. higher since 2009 - due to growth in our client base
	n/a - decreased
	no
	N/A
	-
	n/a
	We have decreased.
	n/a
	spread
	-
	N/A
	Good value
	Fundamental and relative value
	n.a.
	Attractive yield in comparison to alternatives.
	From (Banks Name) perspectives, investment increased in 2010 vs 2009 due to issuers returning to market. From a treasury perspective, no new investments took place.
	From a lending perspective, Investments increased until 2006 and remained stable since then. In ABS is one of a range of approaches to achieving the Bank's policy objective of supporting SMEs. The increase in ABS investment is to some extent as a by-product of the wider (Banks Name) policy initiative to increase financing available to SMEs across the EU as a response to the economic downturn in Europe, following the 2008 Nice ECOFIN
	Opportunity, relative value.
	increased due to the return of risk based pricing

Statistic	Value
Total Responses	23

7. 3.7 If your investment in securitisations has decreased or stopped entirely vs either 2006 or 2009 levels, what are the main reasons?

Text Response

Derisking/deleveraging

Deleveraging

Lack of supply + regulatory uncertainty

Outflows from investors

- risk reduction and decrease in price volatility in money market funds, - investors don't want to add more ABS-exposure

Internal regulations, risk limits

Mark-to-market volatility, (il)liquidity,

Cash funds no longer purchase ABS, less liquidity, less client appetite, less relative value

Numerous. In 2006 Nationwide was ramping up an ABCP conduit and AAA RMBS were held as prudential liquidity but these no longer qualify. Funding of assets is now an important consideration and the assets must stand up on their own merits (not as a source of liquidity). Limited market supply also constrains investment.

Portfolio de-leveraging/de-risking

Illiquidity of the market and mtm risk

Prevailing market conditions

Clearing back book

We only fund trade receivables for core clients of the bank. We have no intention to resume investments in ABS/ MBS securities in the foreseeable future.

Decrease due to clients net redemptions on ABS Funds and liquidity constraints on some mandates.

Market dislocation, lack of transparency on underlying portfolios and on trades, market illiquidity, lack of diversified offers on the primary market

market dislocation, high market volatility in 08 and 09 having hit portfolio under management, ineligibility of ABS in insurance companies' balance sheet in certain jurisdictions

-

n/a

liquidity redemptions

Not confidence in: liquidity, pricing, Solvency II treatment. Floating rate does not fit target yield at the moment.

Bad collateral performance; lack of liquidity in the market; poor collateral performance information; extension risk

Credit Crunch

Investments in securitisations has decreased due to: 1) the disappointing performance of the underlying collateral, particularly with respect to mortgage related investments; 2) poor liquidity resulting from the decline in the investor base

adverse regulatory developments, extension risk, lack of liquidity, difficulty in marking to market the securities.
Categorized as "non-core"-sales + run-off
Lack of transparency / liquidity
N/A
reduced investment volume of end investors, reasons: General mistrust with regards to the asset class, increased risk aversion
Risk Management because of poor liquidity.
Uncertainty about treatment in Solvency II
Securitisation investments have decreased for the following reasons: a) Higher than expected spread volatility during crisis, b) Poorer than expected liquidity during crisis, c) Portfolio guidelines have changed, generally restricting securitized investments.
From the (Banks Name) perspective investments almost stopped compared to 2006 as a consequence of issuers leaving the ABS market. From a Treasury perspective, investments stopped due to the lack of transparency, the excess volatility of returns, the reputational risk embedded in such investments in the current framework and concerns on the quality of the underlying assets.
N/A
n/a

Statistic	Value
Total Responses	35

8. 3.8 How do you classify your securitisation investments?

#	Answer	Response
1	Liquid Investment	11
2	Alternative Investment	12
3	Other (please specify)	22

Other (please specify)

historical cost

Asset dedicated investments

As one of the (less liquid) sectors in the credit universe (e.g. IG corporates, HY corporates, covered bonds etc.)

ABS

Discretionary investment

buy and hold

We only fund trade receivables portfolios for core clients of the bank.

long term investments

Our main ABS investments are held to support banks obligations as a clearing bank. These are available to be pledged to central banks to support [bank name] in its role as a clearing bank.

structured credit - floating rate notes

illiquid

Fixed Income, ABS

Spread products alternative to financials and corporate bonds.

Non core / partial liquidity

Held to Maturity

Corporate Bonds

Fixed Income investments

mid to long term (buy and hold)

Alternative Investment for liquid mutual funds. Core investment for dedicated mandates.

Liquid investment. The Bank's strategy is to operate as a 'hold to maturity' investor (ABS purchased as part of long term operations in support of SMEs should be seen in this light). From (Banks Name) side, it is part of its business and based on the opportunity to facilitate access to finance for European SMEs (institutional purpose)

The Bank's strategy is to operate as a 'hold to maturity' investor (ABS purchased as part of long term operations in support of SMEs should be seen in this light).

9. 4. Impact of PCS Initiative on Investment Decisions Please answer the following questions as specifically as you can.

4.1 Would the inclusion of a label (e.g. PCS) cause you to look at investing in new securitisations, or increase your investment?

#	Answer	Response
1	Yes	13
2	No	25
3	Other	5
	Total	43

10. Would you categorise PCS as a new investment product?

#	Answer	Response
1	Yes	6
2	No	34
3	Other	2
	Total	42

Yes	No	Other
I would consider it as a new investment product within ABS, so not as a separate credit sector besides 'regular' ABS	It's just a label for ABS	Depends
because the product will be transparent, standardised and liquid and its market will be organised	A homogenous structure, not just reporting, data and documentation would be needed	Depends
	if they use the same structure, then I won't be considered a new asset class	
	They would still be categorised as ABS	
	Not unless it would qualify as a liquid instrument under Basel III in which case the answers to the above might be different.	
	Risk profile would not change because of the label. A label dependant asset class may prove to be a very hard sell to end investors.	
	No. The PCS would not "create" a new investment product. Our view of an investment product is related to the risk factors and characteristics. We view PCS as an opportunity for issuers to improve pre- and post- issuance disclosure and as a movement to a more standardized environment.	
	This will depend on reporting treatment, ref. Basel III	
	We would also not look at PCS as a new asset class. We would regard it as structured finance assets complying with certain criteria. Therefore also the second answer is "No".	
	It would be a sub-class of ABS Investment.	
	No, the securities would still be ABS/RMBS	
	If the relative value is given I will buy PCS and non-PCS.	

11. If you do already invest in new securitisations how much incremental investment would the label cause you to make?

Text Response

None

don't know

15%

Not significant, depends on AuM

I guess just using the new label will not increase our investments

EUR 250-500million

None just because of the label, but if it opened the market to a wider client base e.g. under Basel III rules it might result in additional investment.

Potentially Billions.

It would probably have limited impact on the level of incremental investment

none directly - it may however allow other parties (e.g. financing, swap) to become more comfortable providing their facilities to a fund populated by PCS labelled transactions

Too early to comment

0

investment size could be multiplied at least by 2

Investment size could be multiplied at least by

-

-

As explained before, label would be a positive factor but would not cause a direct change in our investing process.

tbd

None

N/A

None

This will make it possible to continue investing so USD 5bn a year+

None

It is difficult to forecast if our investment volume would increase thanks to such a label. We might invest into some of those PCS labelled securities because we like the particular features of each individual bond, some of which are required to get the label. At the same time the result of our analysis process might be that we will not invest into certain PCS labelled securities for credit or relative value reasons.

It can increase the number of funds which could invest in securitised products by 50%

Depends on whether it would be automatically SII compliant

We currently invest in new issue US ABS, but the PCS label alone would not cause us to invest in new issue European ABS.

None

EIF would likely increase its average tickets. Especially at the beginning to support PCS launch and give a signalling effect. From a Treasury perspective it might generate investments by allowing better pre-investment analysis.

None from a lending perspective beyond that level which would occur otherwise.

none

Statistic	Value
Total Responses	31

12. 4.2 Will the adoption of the ECB/Bank of England transparency initiatives cause you to participate in new securitisations?

#	Answer	Response
1	Yes (please specify)	11
2	No (please specify)	27
3	Other	4
	Total	42

13. If no, do you require additional improvements (please specify)?

Text Response

I'm already participating.

We already participate in new securitizations but additional improvements are necessary

no additional requirement needed, but the ECB/Bank of England transparency initiatives will not lead to further investments

We welcome them as a way of strengthening the market but think it's unlikely that they will mean we invest in something in which we previously wouldn't have.

No - I don't think the transparency initiatives are needed.

Only to comply with the due diligence requirements set out in CRD Article 122a

Yes, liquidity improvements and mtm transparency

LBL level data is not of much use because currently there are no tools (that we are are of) that help you analyse it.

N/A Am an ABS manager, not an allocator. Transparency official lobbying is definitely a selling point for the asset class.

because we need transparency but also liquidity, high quality and standardisation as offered by PCS

we need transparency but also high quality, standardisation and liquidity as offered by PCS

We do though favor very much the taken initiatives. Currently investing in ABS market on a very selective basis. The adoption of the new transparency initiatives will more incentivize originator and structurers to improve transparency.

liquidity, Solvency II treatment

for non-ABS this is still not clear and simple enough

No

Additional investment in securitisations would depend on a number of factors such as stable pricing levels, better price discovery, continued improvements in collateral performance, and evidence of a broader and more stable investor base.

Originators should be required to make their cash flow models publicly available.

No

Transparency is not enough for liquidity purposes, need for commitment from market makers.

BoE/ECB initiatives will cause us to look more closely at new securitisations, but our level of investment will depend on our perception of the collateral quality, structure and liquidity bearing in mind that we will have virtually no loan level historical performance to base expectations on.

We would participate independent of PCS label.

From a lending perspective, no since the lending decision is based on institutional rules

Transparency is already there.

Statistic	Value
Total Responses	23

14. 4.3 If a PCS label would be introduced would you buy non-PCS securities?

#	Answer	Response
1	Yes	32
2	No	6
3	Other	5
	Total	43

15. 4.4 If a PCS label is introduced, would you be forced to sell non-PCS transactions?

#	Answer	Response
1	Yes	0
2	No	41
3	Other	1
	Total	42

16. 4.5 If a PCS label is introduced, would you be incentivised to sell non-PCS transactions?

#	Answer	Response
1	Yes	5
2	No	35
3	Other	2
	Total	42

17. 4.6 Would PCS trade tighter than non-PCS?

#	Answer		Response
1	Yes		29
2	No		5
3	Other		8
	Total		42

18. 5. Eligibility Criteria 5.1 Should the PCS require tighter detailed asset eligibility criteria than in current securitisations to determine/validate qualification?

#	Answer		Response
1	Yes		23
2	No		17
3	Other		2
	Total		42

19. 5.2 Are there any asset classes that you would not want to be included in PCS? If so, please specify.

Text Response

no

CDO CMBS or anything non granular

Commercial real estate

CDO ABS, CDO2, and 'lumpy' securitisations such as shipping, aircraft leasing etc.

We think that the scheme is only worthwhile if it opens the liquidity bucket for banks (Basel III) and thus increases demand in (a segment) of the market. To have any hope of this being the case, the criteria need to be set very tightly. Theoretically there is no reason why an asset class should be excluded but we would anticipate the rules being sufficiently conservative that there may be asset classes where no existing transactions would comply.

any security that could be considered a CDO

All securitisation should achieve a high industry standard of excellence

CDO's

No.

ABS backed by non prime and self-certified loans to individuals and option adjusted rate loans, CMBS, CDOs

ABS backed by non prime and self certified loans to individuals and option adjusted rate loans, CMBS, CDOs

We agree on all assets classes mentioned in the term sheet.

n/a as don't believe PCS is necessary

Non performing loans

CLO, SME not backed by bank's RMBS / Credit Card deals issued out of Master Trusts

only pure prime RMBS should be included

No

None

Asset classes that don't allow for the construction of granular portfolios (for example, commercial mortgages).

CLO, CDO, nonconforming RMBS and other less transparent pools.

ABS CDOs

see answer to 5.1

Yes, all securitised products which can be defined as sub-prime products and pure synthetic transactions.

Only asset classes with significant performance histories (eg. > 10 yrs) for which securitisation models can be fully tested

Asset for which it is unreasonable to expect that investors could make independent credit decisions

should be excluded: a) Unreasonable complex securities (CDOs), b) Securities for which the transparency into the underlying collateral does not allow the holder to fully and independently assess credit risks. This includes situations where the data is not granular enough or does not include all of the appropriate fields.

No

Only PCS with a primarily SME objective

Statistic	Value
Total Responses	27

20. 6. Governance and Oversight 6.1 Should the PCS initiative require an independent third party (secretariat) that grants and withdraws the label, to cause you to look at investing in new securitisations, or increase your investment?

#	Answer	Response	%
1	Yes	25	58%
2	No	15	35%
3	Other	3	7%
	Total	43	100%

21. 6.2 Would you prefer the label to be granted by:

#	Answer	Response
1	Self-Certification	7
2	By an Independent Third Party (PCS Secretariat)	35
	Total	42

22. 7. Liquidity Questions 7.1 Are you concerned that in the absence of transitional arrangements, legacy as well as new securitisations without the PCS label might trade at a wider level than new PCS-designated securitisations and reduce liquidity for non-PCS?

#	Answer		Response
1	Yes		21
2	No		20
3	Other		2
	Total		43

23. 7.2 Are you concerned about the fact that the label may be withdrawn during the life of the transaction in certain limited cases such as the failure by counterparties (i.e. the originators) to comply with respect to the requirements set by the PCS, (please bear in mind that bond performance such as changes to underlying credit performance or rating changes will not be grounds for withdrawal of the label)?

#	Answer		Response
1	Yes		20
2	No		21
3	Other		2
	Total		43

24. 7.3 Are investors aware that PCS could involve increased structuring costs to issuers?

#	Answer	Response
1	Yes	41
2	No	1
3	Other	1
	Total	43



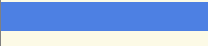


25. Are investors willing to share the costs through lower issuance spread?

#	Answer	Response
1	Yes	11
2	No	23
3	Other	8
	Total	42

26. 7.4 Do you believe that the PCS initiative and the label could be an important factor in improving market liquidity in the securitisation market?

#	Answer	Response
1	Yes	26
2	No	11
3	Other	6
	Total	43

27. 7.5 Would the following changes to the regulatory treatment of securitisation products in general (PCS as well as non-PCS) promote liquidity?

#	Answer		Response
1	Inclusion in the banking liquidity regulation (e.g. liquidity coverage ratios)		33
2	Changes to CRD trading book capital treatment to incentivise traders to provide secondary market liquidity		25
5	Changes to treatment investments for Solvency II capital purposes		19
6	Lower repo haircuts in the ECB and Bank of England operational frameworks		25
4	Other (please specify)		5

Other (please specify)

Answers are unclear




Have the central banks lend their holdings (as the ECB has done for the covered bonds).

However each has an associated cost/consequence that needs consideration.

All measures contributing to resolve or prevent such a situation in the future would be of help.

Also general education of senior management, risk management and broader investor base about what ABS is and that not all ABS is equal to "US Subprime". Get rid of bad connotation. More focus/education on EU ABS performance so far.

28. 8. General Questions 8.1 As an investor, are you concerned that PCS would restrict access to the market for those issuers or certain asset classes who would not qualify for the label or have any unintended consequences?

#	Answer		Response
1	Yes		14
2	No		27
3	Other		2
	Total		43

29. If yes, do you believe that this is a problem, or rather is this a cost that may be necessary, at least in the short term, to restore investor confidence?

#	Answer		Response
1	Yes		7
2	No		5
3	Other		6
	Total		18

30. 8.2 Do you think a PCS-style initiative will positively or negatively impact the recovery in securitisation markets going forward?

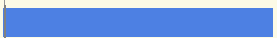


#	Answer		Response
1	Positively (please elaborate)		35
2	Negatively (please elaborate)		8

Positively (please elaborate)	Negatively (please elaborate)
more confidence	
It will contribute to raising standards, also for non PCS securities	
I do think a more homogeneous structure is required	
It won't make much difference, covered bonds are considered a much safer and liquid asset class	
Only if it expands the available universe, otherwise we don't see any value and would rather it wasn't implemented.	
Only if PCS would allow ABS to be included in bank liquidity portfolios similar to Covered Bonds.	
Some potential investors will take comfort from the label	
it will be a gradual change - most current investors don't need it...it's new investors, and auxillary players (financing/swap counterparties) who will benefit	
European ABS market is suffering from the collapse of SIV/Conduits. Bank balance sheets are constrained. Industry needs to create new demand through TALF type structure and new bonds that work for real money etc	
may restore more confidence in the quality of the securities created	
If done globally, but if the label only reaches Europe (excl. US) the exercise seems pointless.	
It is in the wake of central banks wish lists regarding transparency in particular (transparency for investors and non investors alike)., Reporting is part of the emphasis. Accessible cash flow models make risk components more accessible to third parts.	If investors buy a label (the same way some investors would buy a yield given a rating). It may be seen as a layer of costly public-sector-led red tape for a once over-the-counter market. It may be seen as a implicit condemnation of the credible job that has been done by the rating agencies on the asset class over the last decade (illustrated by European RMBS senior tranches rating stability that is second to no other asset class).
The market currently has an issue of liquidity, lack of transparency and lack of trust in the issuers from the fixed income investor basis. The launch of a PCS-style initiative will help solving these issues and increase securitisation appeal	

<p>The market currently has an issue of liquidity, lack of transparency and lack of trust in the issuers from the fixed income investor basis. The launch of a PCS-style initiative will help solving these issues and increase securitisation appeal</p>	
<p>We need create confidence or trust in these assets again. Transparency is great</p>	
<p>dependent on the final characteristics of the PCS label</p>	
<p>This initiative would help in the recovery of the market but might not be enough to bring closer bid and offer levels.</p>	
<p>simple, clear</p>	
<p>The effect should be positive provided that it encourages a higher degree of cooperation by issuers with investors' requirements. It would be a negative to the extent that it has the potential to substitute for due diligence on the investor side (though this is unlikely given the potential capital penalties under CRD2)</p>	
<p>It will not have any significant impact. Regulatory developments will play a much more relevant role. For example, the CESR's Guidelines on a common definition of European money market funds will limit, from July 2011, investment in securities to those with a residual maturity until the LEGAL redemption date of less than or equal to 397 days (for short term money market funds) or 2 years (money market funds). Thus, severely restricting possible future investments of these funds in ABS/RMBS. In the US, the Dodd-Frank Wall Street Reform and Consumer Protection Act, by repealing Rule 436 (g) of the Securities Act of 1933, exposed rating agencies to unprecedented liability for the quality of their ratings on ABS transactions. This is due to the fact that under the new rules ratings are no longer opinions but instead considered to be "expert advice". As a consequence of the new rules, rating agencies pulled back from the new issue public securitisation market until they are better able to assess the potential new liability thus halting new public transactions.</p>	
<p>However has the potential to confuse + focus attention away from other issues that need fixing</p>	
<p>Everything is now put in the structured credit buck</p>	

- which is wrong	
However there is also a risk to bring unsophisticated investors back into the market who replace an own credit analysis with the label.	
Positive action to create simple products which is key today for an A? to convince final clients to come back into the ABS market.	
Would be helpful to have clear uniform approach	
If a PCS style initiative was thoughtfully defined and uniformly applied, we think it would help restore the markets by improving security holders' confidence in the value of their cash flows.	
More securitisation information made public will show where the market is.	
it will give non-specialist investors more comfort	
	with covered bonds on one end and ABS on the other end, I see difficulties to place the PCSs
	With spreads being wide it does not make sense for a lot of issuers to issue and with these increased cost of PCS and LBL it will further disincentivise issuers from issuing
	see par 8.1
	Neutral to negative.
	The market does not require yet another 'Rating Agency' and the advent of the PCS would serve only to confuse, distract and divide the current market.
	For the reasons highlighted in 8.1 above

31. 8.3 Do you think that the PCS initiative potentially increase and diversify the investor base, compared with the present?

#	Answer	Response
1	Yes 	25
2	No 	13
3	Other 	5
	Total	43

32. 8.4 Do you think that the PCS initiative will lower spread levels relative to other funding debt instruments?

#	Answer		Response
1	Yes		25
2	No		11
3	Other		5
	Total		41

33. 9. Other Investor Feedback Requested Are there any other features or components of the proposal that you strongly disagree with, or other aspects that you would likely to see more clearly detailed and put forward, including but not limited to enforcement, asset eligibility criteria, governance, auditing, funding, maintenance or withdrawal of the label, grandfathering, liquidity, regulatory considerations or other issues? Please be as specific as possible.

Text Response

I'm opposed to this initiative. The problem we've had in the past with European ABS was too many investors who didn't understand the products they were buying. This initiative will facilitate more of that by creating another label (after ratings) that inexperienced investors will rely on, rather than making their own investment decisions. Securitisation is complex, we can't change that. Making it seem less so, in order to draw in less experienced investors, will build up problems for the future. I'm all in favour of the disclosure requirements put out by the B of E, but it should be left to each investor to decide what he wants to buy, not up to a committee.

We believe investors should have sight of the part of the legal opinion that deals with true sale. The current market setup where opinions are for the benefit of the issuer/underwriter only and can be communicated only to rating agencies is not going to be sustainable. Of the four pillars, we are most interested in the transparency aspects, including availability of models prior to market launch, as they will be indispensable for regulated investor to meet the CRD3 standards applicable from January 1st 2011.

Generally, we do not see the value of attaching a "gold star" to securitisations. The proposed eligibility don't seem particularly tight and therefore it seems unlikely that there would be any significant differentiation between existing transactions, raising a query over the relevance of the designation. The only way we would see this adding value to the market would be if it meant that PCS transactions would qualify for classification as liquid investments under BASEL III potentially increasing appetite for the better deals in the sector.

An important factor would be for PCS to allow ABS to be included in bank liquidity portfolios similar to Covered Bonds.

For already active investors, I would question the merits of this initiative. Sophisticated investors are already capable of distinguishing between different structures, underwriting standards and reporting transparency and will factor these issues into their investment decisions. I cannot see how a quality assurance label would benefit investors unless this could somehow reduce the due diligence requirements set out in Article 122a. However, this would be contrary to the aims of the increased regulation. If successful the PCS initiative would probably create a two tier market, with PCS labelled bonds trading at lower spreads than non-PCS bonds. Although PCS bonds might have better secondary market liquidity, I suspect many investors would continue to buy non-PCS bonds providing they were earning a higher return to compensate for weaker liquidity. I'm not convinced that self regulation and the proposed governance structure (PCS Market Committee and PCS Secretariat) is adequate, particularly given enhanced regulatory requirements. Whilst a quality assurance label might attract

some new investors, many investors are out of the market for other reasons (e.g. banks de-leveraging) rather than through any real concerns about quality etc What effect would the PCS label have on ratings? Have the rating agencies been consulted?

I think one of the primary reason the ABS market in struggling to recover is that high spreads will stop issuers issuing new ABS and if this is coupled with increased cost associated with ABS the new issue market will all but disappear. Investors will not bear the cost and will be forced to look a other asset classes to invest.

Some of my doubts regard collateral criteria, which are already taken heed of by investors when deciding whether to invest or not (the worse the criteria, the higher the credit enhancement for the senior tranche). Indeed, one cannot over emphasize that EUROPEAN Securitisations have been a casualty of the latest GLOBAL financial crisis, as opposed to a cause. There has never been any broad based credit nor fraud issue with collateral composition or performance. Hence my reserves on the PCS focus on that part of the transaction (being redundant with investors and rating agencies all the way). Transparency, reporting requirement and available risk modelling look more important to me (so that any investor may forge a well informed appraisal). Liquidity is another part that may not be solved overnight unless both end buyers and sellers commit themselves to take an active part in a repo market yet to come. A public label for an OTC market is no small feat. I utterly subscribe to its objectives.

I'd like to have more details on simplicity and standardisation of the securitisation structures eligible to PCS as well as enhanced organisation of secondary liquidity by market participants

more details on simplicity and standardisation of the structures eligible to PCS as well as enhanced organisation of secondary liquidity by market participants

In general we would prefer to have the market concentrate on the initiatives already taken and work these out completely. Too many initiatives might reduce the effectiveness of the initiatives.

General observation: Don't see how this can promote investor interest. Best way to do this is through sponsorship by senior members of ECB or BofE highlighting performance. Additionally one potential avenue would be broader acceptance of assets at ECB/BofE. New money needs to address the potential and worth looking at US market participants. - Sec lenders - Insurance. Buy long dated fixed. Not attractive to issuers - Asset managers. Can they raise money from third parties? Sharp ratio poor given volatility - Hedge funds. Returns low versus target - Banks. Abs no longer eligible for liquidity books from 2011 No-one does not want to have better transparency, simplicity, and liquidity. I don't think we need a label to have this though. There could easily be a best practices guide and allow investors to do their own due diligence. Unless there is clear evidence that adoption of a new type of label will bring in significant size I don't think we should proceed. [Graphic included here] What is targeted amount of issuance this is meant to promote? What do we see as steady state volume - 2003/2004 is probably most appropriate. Additionally there needs to be something done to address investor concentrations in a deal. Should an asset be PCS if one holder is say 75% of the deal?

Perfect, ok.

Liquidity and Solvency II friendly treatment are the issues we would like to stress

Strongly disagree with the fundamental idea of the PCS.

The initiative should focus on standardisation of the securitisation process. This includes the pre-issuance timeline covering communication of collateral details and structural elements. There should be less emphasis placed on underwriting and collateral specific details as these should be a function of the investor due diligence and research process. PCS certification should require "plain English" type descriptions and the use of standard sections to outline important characteristics (e.g. credit

enhancement, swap providers). Additional effort around clarity and transparency are critical. The initiative should also emphasize the importance of post trade information flow and the ongoing disclosure requirements of investors with respect to collateral performance and cash flow distributions. An emphasis on greater ongoing disclosure by servicers and the adoption of standard terms for reporting delinquencies, buy-backs, etc. should also be explored. Any progress toward greater price transparency would also be highly supportive of increased investor participation. The TRACE reporting system for corporate and municipal debt (and eventually ABS) in the U.S. is a good example of a system that has greatly benefited investors. The U.S. EDGAR filing system is a good example of a central, public, and free repository of deal information and documentation. The initiative could also work to support the inclusion of third party data and analytics vendors (e.g. Intex, Trepp) to support the collection and distribution of information.

Much more important for me are regulatory / liquidity treatment. Standardisation is more important than labelling.

We do not support the proposal in general for the reasons detailed above.

Before going into details I would like to highlight that we clearly support efforts to bring the European Structured Finance market back to normality. We believe that an initiative like PCS could reduce the prejudice and the negative headline that is still attached to the asset class. This is often the case outside the relatively small group of market specialists. PCS could also contribute to establish standards in the whole market for those securities. We do fully agree with the key principles of the PCS initiative. Those are quality, transparency, simplicity/standardisation and liquidity. Among those we think that in particular transparency and standardisation/simplicity would be achievable goals by such an initiative. The establishment of a market segment like PCS would have the potential to accelerate the recovery process of the whole structured finance market. At the same time the initiative might also bring investors (back) into the market who replace an own and independent investment process with buying a label. We see this as a risk of the initiative.

I'm missing compulsory reporting on loss severities of foreclosed collateral and current actions on collateral in arrears.

None

None

i think the most important aspect is not eligibility and the asset class, but rather standardisation of docs and provision of data and detailed and standardised reporting.

Statistic	Value
Total Responses	22

34. Are there any other features that you'd like to see included in the PCS project? If so, please specify.

Text Response

Create a homogeneous structure across Europe

In order to make plain that PCS do not address credit issue in lieu of investors (and rating agencies), one may have preferred to see a label being given to all tranches of a given structure: Simplicity / Structuration, transparency and Liquidity are indeed the main headwinds ABS market is facing, as opposed to collateral origination standards. Such criteria apply to all tranches of a transaction, regardless of their credit risk component. Focus on collateral composition not only rules out many potential issuance, self defeating the labelling objective, but it may also be seen as answering an issue that never existed in reality as the "originate and distribute" model was not the path taken by the European market. For the average outsider such as a European government, regulator or central bank near you, any ABS qualifies as "toxic" as a rule vs. "healthy" bank debt or covered bonds: I wouldn't want to see the PCS giving the impression that such an indiscriminate view was ever justified. Thank you again for giving investors a say in your most valuable initiative.

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Market makers to create prices.

We believe that for investors is crucial the commitment of the originator over the underlying assets throughout the credit process (origination, survey, management, recovery,...). In this sense, structures where originators retain the biggest part of the risk give to the investor much more comfort than structures based on "originate to distribute" models. We assume that this PCS label would mean a cost that in some way would be reflected in spreads: as investors we would be willing to assume only a reasonable impact. We therefore would need to understand what would be the real cost of this initiative and if it's worth. Finally we are particularly concerned about the impact in terms of liquidity and prices that this initiative would cause in the outstanding securitisation bonds.

simplicity will be the key to success

Please see the response above.

Originators of transactions (both PCS and non-PCS) should make their cash flow models publicly available.

You should have banks + non traditional investors in the committee.

We would like to see loss severities on foreclosed collateral to be included in the monthly reporting compulsory. Although we appreciate more transparency in collateral and collateral performance (especially loss severities), I doubt the extent of the usefulness of the PCS label. I believe the credit crisis, and especially the ABS crisis, was caused by rating agencies that wrongly estimated the risks of certain types of collateral, such as US subprime, CDOs of ABS, CPDOs, synthetic CDOs of IG credits. The PCS label implies a form of approval and safety to (new) investors. It seems to me, however, that most US subprime ABS structures would have gotten the PCS label, if it has existed in 2005/2006, i.e. the PCS label would not have prevented the credit crisis, nor will it prevent a new ABS crisis if the European housing market would collapse further. We welcome increased transparency of collateral and collateral performance, as proposed. This is crucial to value secondary transactions correctly and in general to judge the collateral quality of a certain issuer going forward. Apart from that, we believe that regaining confidence in the ratings given by rating agencies is the most important ingredient to attract new

investors. And to have positive capital charges, etc., not to scare away existing investors.

None

None

Statistic	Value
Total Responses	12